State Income Tax Deduction Addback -- Local Taxes

Should the state income tax deduction addback on line 2 of the Colorado Form 104 include the local tax portion of the state and local taxes deducted on line 5 of the federal Schedule A?

There are no local income taxes in Colorado. The amounts often reported on Colorado W-2 forms as local income taxes for Denver, Aurora and Greenwood Village are actually occupational taxes charged at a flat rate by those cities for the privilege of working in that city. These amounts should not be reported on line 5 of the federal Schedule A because they are considered miscellaneous deductions when computing the amount to enter on line 20 of the federal Schedule A. Therefore, the Colorado local taxes would not be included on line 2 of the Colorado return in the state income tax deduction addback.

Local income taxes are collected in a few other states. These taxes would not be included in the state income tax deduction addback because only "state taxes" must be included in the addback.